

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
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FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 8890

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E.O. 11652: N/A
TAGS: EAIR, CO, US
SUBJECT: CIVAIR-- NOTICE OF DISSATISFACTION RE GROUP - 40 GIT
FARES

REF: STATE 279359

1. FOLLOWING IS INFORMAL TRANSLATION OF INFORMATION PROVIDED TO THE FOREIGN MINISTRY BY AVIANCA, AND TRANSMITTED TO US BY NOTE IN REPLY TO OUR NOTE OF NOVEMBER 15: QUOTE. WE KINDLY WISH TO INFORM YOU THAT WE CONSIDER THE EMBASSY'S POINTS OF VIEW TO BE ERRONEOUS FOR THE FOLLOWING REASONS: ANNEX NUMBER 1 OF THE AERONAUTICAL CONVENTION PRESENTLY IN FORCE BETWEEN COLOMBIA AND THE UNITED STATES DETERMINES THE PROCEDURES FOR THE ESTABLISHMENT OF AIRLINE FARES BETWEEN THE TWO COUNTRIES; PARAGRAPH (D) ESTABLISHES THAT THE FARES WHICH AN AIRLINE PROPOSES SHOULD BE SUBMITTED FOR CONSIDERATION TO THE AERONAUTICAL AUTHORITIES OF BOTH PARTIES AT LEAST THIRTY DAYS BEFORE THE PROPOSED EFFECTIVE DATE. THIS IS PRECISELY WHAT AVIANCA DID, WITHIN THE SPECIFIED TIME PERIOD AND WITH THE IDEA THAT THE NEW FARES WOULD TAKE EFFECT ON DECEMBER 1, 1976. AVIANCA REGISTERED WITH THE UNITED STATES CIVIL AERONAUTICS BOARD THE FARES, WHICH WE CALL NORMALLY "BULK FARES", THAT IS, GROUP FARES LOWER THAN THOSE FOR INDIVIDUALS WITH LIMITED OFFICIAL USE

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THE OBJECTIVE OF PROMOTING TRAFFIC AND TOURISM FROM THE UNITED STATES TO COLOMBIA AND OF PLACING THE AIRLINE IN A BETTER POSITION TO COMPETE WITH THE CHARTER FLIGHTS TO COLOMBIA, WHICH ARE PRESENTLY BEING ADVERTISED EXTENSIVELY.

THE U.S. AIRLINE, BRANIFF, STRONGLY OPPOSED OUR FARE PRO-

POSALS BEFORE THE CAB. MOREOVER, AS THESE FARES ARE STILL NO APPROVED BY THE INTERNATIONAL AIR TRANSPORT ASSOCIATION, WE REQUESTED BALLOTING BY MAIL WHICH, UNFORTUNATELY, PRECIPITATED NEGATIVE RESULTS, DUE PRECISELY TO THE OPPOSITION OF BRANIFF.

UNDER THESE CONDITIONS, AVIANCA DECIDED NOT TO PRESS ITS CASE FOR THE MOMENT, BUT IT PLANS TO DO SO AT AN OPPORTUNE TIME BEFORE THE CAB, ONCE WE HAVE SUCCEEDED IN CLARIFYING THE SITUATION WITHIN THE IATA, WHICH WE HOPE TO BE ABLE TO DO DURING THE CONFERENCE OF AIR CARRIERS WHICH TAKES PLACE IN JANUARY IN MEXICO CITY.

AS YOU CAN SEE, AVIANCA HAS COMPLIED WITH THE BILATERAL ARRANGEMENTS IN EFFECT BETWEEN THE TWO COUNTRIES AND THE COMPETENT AUTHORITY OF THE UNITED STATES, THE CAB, STILL HAS NOT REACHED A DECISION CONCERNING THE APPROVAL OF THESE FARES BECAUSE OF THE SITUATION WHICH WE HAVE RELATED TO YOU. HOWEVER, THE HEART OF THE MATTER IS THE ARGUMENT THE EMBASSY PRESENTS TO THE EFFECT THAT THE NEW FARES WOULD BE TOO LIBERAL AND WOULD NOT GENERATE NEW TRAFFIC WITH THE RESULT THAT PROFITS WOULD DIMINISH, THEREBY CAUSING PRESSURE TO RAISE THE FARES OF ALL PASSENGERS. WE ARE VERY SORRY NOT TO BE ABLE TO ACCEPT THIS LINE OF THOUGHT FOR THE FOLLOWING REASONS:

ONE OF THE SITUATIONS WHICH MOST OCCUPIES THE GOVERNMENT OF COLOMBIA AT THE PRESENT TIME IS THE GROWING PRESSURE BY CHARTER AIR CARRIERS, ESPECIALLY LIMITED OFFICIAL USE

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THOSE FROM THE UNITED STATES, TO SERVE THE TOURIST MARKET OF THE COLOMBIAN ATLANTIC COAST. CHARTER FLIGHTS RESULT IN A VERY LOW INDIVIDUAL FARE, LOWER EVEN THAN THE EXISTING FARES BETWEEN THE UNITED STATES AND COLOMBIA. REGULAR CARRIERS, AMONG THEM AVIANCA AND BRANIFF, NORMALLY DO NOT FIND THEMSELVES IN A POSITION TO COMPETE IN THE CHARTER MARKET BECAUSE, AMONG OTHER REASONS, THE FARES OF THE REGULAR CARRIERS ARE FAR HIGHER -- HIGHER EVEN THAN GROUP FARES--AND ALSO BECAUSE THE CARRIERS ARE OBLIGED TO MAINTAIN SCHEDULED SERVICES BETWEEN THE TWO COUNTRIES.

CONVERSELY, THE GOVERNMENT OF THE UNITED STATES FIRMLY SUPPORTS THE PRACTICE OF AUGMENTING THE NUMBER OF CHARTER FLIGHTS. IN GENERAL, IT IS CLEAR THAT THE POLICY OF THE UNITED STATES GOVERNMENT IS TO REDUCE THE COST OF AIR TRAVEL FOR THE BENEFIT OF THOSE WHO FLY. UNDER THESE CONDITIONS IT IS NATURAL THAT CARRIERS WITH SUFFICIENT CAPACITY TO DEVELOP ADDITIONAL

TRAFFIC, AS IN THE CASE OF AVIANCA WITH ITS NEW BOEING 747 AIRCRAFT, TRY TO ESTABLISH GROUP FARE RATES WHICH GENERATE NEW TRAFFIC AND WHICH PUT THEM IN A POSITION TO COMPETE EFFECTIVELY WITH THE CHARTER LINES. MOREOVER, IT IS EVIDENT THAT SINCE WE ARE DEALING WITH A PROMOTIONAL FARE FROM THE UNITED STATES TO COLOMBIA AND SINCE THAT MARKET IS VERY ELASTIC, THE NEW FARES MAY GENERATE TRAFFIC WHICH PRESENTLY DOES NOT EXIST OR WHICH NOW TRAVELS BY CHARTER.

WE BELIEVE THAT A CONTRADICTION EXISTS BETWEEN THE POSITION ASSUMED BY THE AMBASSY IN THIS CASE AND THE GENERAL POLICY OF THE UNITED STATES IN THE MATTER OF FARES AND THAT, ESSENTIALLY, THE MATTER INVOLVES A SIMPLE PROBLEM OF COMMERCIAL COMPETITION PRESENTED BY BRANIFF AIRLINES WHICH, GROUNDLESSLY, CONSIDERS ITSELF INJURED BY NOT HAVING SUFFICIENT CAPACITY TO SATISFY THE NEW DEMANDS OF THE MARKET WHICH WE EXPECT TO GENERATE WITH OUR NEW LIMITED OFFICIAL USE

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RATES. END QUOTE.
DREXLER

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